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C O N F I D E N T I A L KUWAIT 000867

SIPDIS

FOR NEA/ARP, LONDON FOR TSOU, PARIS FOR ZEYA  
OSD FOR PAUL HULLEY

E.O. 12958: DECL: 03/15/2016

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SUBJECT: OIF FUEL UPDATE

REF: KUWAIT 0841

Classified By: Ambassador LeBaron for reasons 1.4 (b) and (d)

1. (C) Following up on Ambassador's March 13 meeting with KPC Chairman Hani Hussain (reftel), Energy Minister Shaykh Ahmed Al-Fahed Al-Ahmed Al-Sabah called the Ambassador the afternoon of the 14th and made the following points:

-- He supports continuation of some sort of concessionary pricing but says this will require a cabinet decision -- "We (the Energy Ministry) will do whatever the cabinet guides us."

-- The matter should be raised with the Foreign Ministry and/or the Prime Minister.

-- There was some resistance to continuation when the matter last came up in the cabinet, but the argument to do a short-term extension to March 31 prevailed.

-- A pricing arrangement that might work would be \$36 dollars per barrel plus the \$3 dollar refinery charge. This would reflect the price used for a barrel of oil in the current GOK budget, just as \$21 dollars (plus a \$3/barrel refining fee) reflected this GOK budget price of oil in the last contract. The Minister of Energy said that he would support this.

2. (C) Next Steps: Ambassador will raise the U.S. request with the Prime Minister's office. We will use the same cleared language as used in the letter (reftel), and not discuss the new price previewed by the Energy Minister. It is clear to us, however, that this new price is likely to be what the Energy Minister will support, and therefore what is likely to be persuasive to other members of the cabinet. Ambassador recommends that a senior DOD official also raise the matter with the Kuwaiti Ambassador in Washington.

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LEBARON